

CHAPTER I INTRODUCTION

1.1 Overview of Research Background



Figure 1. 1. Bank Jago Logo

Source: Wikipedia

Bank Artos or also known as PT Bank Artos Indonesia Tbk. Bank Artos was established on May 1, 1992. The Bank Artos was incorporated on December 14, 1992, according to a document issued by the Minister of Finance of the Republic of Indonesia. Bandung is the central location of the establishment of PT Bank Artos Indonesia Tbk. However, in June 2020, Bank Artos relocated its headquarters to South Jakarta.

This business was officially listed on the Indonesia Stock Exchange in 2016. In 2019, PT Metamorphosis Ecosystem Indonesia, which is owned by Jerry Ng, and Wealth Track Technology Ltd., which is owned by Patrick Sugito Walujo, acquired 37.65% and 13.35% of the company's shares, thereby becoming co-controllers. Jerry was formerly the Chief Executive Officer of Bank BTPN, while Patrick was an investor in the bank prior to its acquisition by SMBC. This company's name was changed in 2020 to what it is now. GoPay officially acquired 22.16 % of this company's shares by the end of 2020.

GIC joined as a small shareholder of this business in March 2021. This business introduced the Jago application in April 2021 to make it simpler for its clients to handle their accounts. The business and PT Seeds Growing Together signed into a strategic relationship in July 2021. In the same month, the business introduced Pocket Jago as a non-cash payment option in the Gojek application,

marking the beginning of integration. In order to service its clients according to sharia principles, this corporation established a Sharia Business Unit (UUS) in September 2021.

Bank Jago's vision began with a commitment to becoming the leading tech-based bank by prioritizing easy access, innovative breakthroughs, digitizing banking services, and continuing to encourage the development of SMEs and consumers. The Bank strives to do this while prioritizing harmony between economic, social, and environmental aspects.

Bank Jago's mission is aligned to apply sustainability principles that always support the alignment of business and operations with Environmental, Social, and Governance (ESG) aspects. Bank Jago's focus on the middle and lower segments (middle and mass market) is in line with the objectives of Sustainable Finance, and supports the achievement of sustainable development goals (SDGs).

1.2 Research Background

The banking sector is the most important sector in a country because the economy is closely tied to the people's standard of living (increasing equitable distribution of development and its results, as well as economic growth and national stability) and is highly developed in this regard in the current era. This is a result of the technological revolution, which necessitates the development of technology in order to enhance the quality of life for people, with the exception of finance, which is very advanced from time to time. Currently, the development of digital institutions is accelerating, in part due to the public's increasing demand for them.

As a result of the large number of digital banks presently in operation, many people have a variety of digital banking product options to choose from; therefore, the importance of quality service for the community, and particularly for banking consumers, cannot be overstated.



Figure 1. 2. Mobile Internet Users in Indonesia

Source: Kompasiana.com

Based to Picture 1.2, According to A.W. Savitri and Indrawati (2019), the increasing number of internet consumers causes the number of online transactions to increase concurrently with the technological advancement of contactless payment systems. Bank Indonesia created Gerakan Nasional Non Tunai in August 2014 with the intention of increasing awareness and non-cash usage among the community, business people and government institutions., so that not a few people really need smartphones both in social media activities and in their banking transactions, so that when Currently, many prominent banks in Indonesia have established a subsidiary or a new division to manage their digital bank.

Table 1. 1. The Competition of Digital Bank in Indonesia

Digital Bank	Market Share
Bank Jago	46%
Bank Neo Commerce	40%
Jenius	32%
Sea Bank	27%
Blu By BCA	25%
Line Bank	16%
TMRW by UOB	13%
Digibank by DBS	11%
PermataME	10%
Allobank by Bank Mega	7%

Source: GoodStats.com

Based on Table 1.1, Currently banks are competing to establish new digital institutions under their direct control. This is due to the fact that even as digital bank customers, consumers can easily utilise the bank's facilities. Consequently, consumer loyalty influences their popularity and their assets. This is due to the fact that consumers require features that make it easier for them to conduct banking transactions, as well as data security so that their transactions cannot be compromised by careless parties. These digital banks must offer advantages that traditional banks do not offer. Deputy Director of Basel and International Banking at OJK, Tony said “a number of banks in Indonesia have declared themselves to be entirely digital banks or that they would become such banks in the future. According to Tony, there will be a total of 12 digital banks in Indonesia, of which 5, including Jenius from Bank BTPN, Wokee from Bank Bukopin, Digibank from Bank DBS, TMRW from Bank UOB, and Jago from Bank Jago, have declared themselves to be such”.

According to Zeithmletal (2018) E-service quality is defined as the effectiveness of a transaction from beginning to end. Since E-Service Quality is the most important aspect of banking, its competitors cannot imitate it, which promotes competition in the banking industry. Banks must provide superior and unique capabilities relative to their rivals.

Table 1. 2. Capitalization Market of Digital Bank in Indonesia (2021)

Digital Bank	Total Asset
Bank Jenius (Bank BTPN)	Rp 183,17 Trillion
TMRW by Bank UOB	Rp 116,55 Trillion
Digibank by DBS	Rp 87,63 Trillion
Bank Wooke by Bank Bukopin	Rp 79,94 Trillion
Line Bank by Hana	Rp 42,69 Trillion
BRIAgro	Rp 28,02 Trillion
Bank Capital	Rp 20,02 Trillion
Bank QNB Indonesia	Rp 18,3 Trillion
MNC Bank	Rp 11,65 Trillion
BCA (Blu Digital Bank)	Rp 2,89 Trillion
BHI Bank	Rp 2,59 Trillion
Bank Jago	Rp 2,18 Trillion
Aladin Bank	Rp 720 Bilion

Source: goodnewsfromindonesia.com

Based on Table 1.2, the development of digital banks has increased quickly, as evidenced by the assets of Bank Jenius in first place and TMRW from Singapore's largest bank, Bank UOB. And in third place is Digibank by DBS Bank, which is the largest bank in Southeast Asia and is based in Singapore; in fourth place is Bank Wooke by Bank Bukopin, which is a private bank based in Indonesia;

and Bank Jago ranks ninth in Indonesia in terms of total assets. So that in the current digital banking competition, Bank Jago has a strong reputation by holding the highest position in market share among digital banks and the ninth position in terms of assets among digital banks. Considering this competition, digital institutions have a bright future, particularly Bank Jago, which continues to run promotions. The digital bank sector is new to Indonesian banking, and Bank Jago, formerly known as Bank Artos, has limited experience in digital banking. As a result, the quality of Bank Jago's service in this sector must be vastly improved before a large number of customers will switch to digital banks. According to Andry 2022, cybercrime will increase alongside the expansion of information technology. The banking industry has an intimate relationship with cybercrime. People are recognized as the key to resolving the issue of financial information security. In order to reduce their susceptibility to cybercrime when conducting online banking, bank customers must refrain from risky behaviour. As a result, banking, particularly digital banking, must have a security system to protect consumer information in digital banks.

Retention of customers (loyalty) is the most important aspect of a company's long-term viability, so a digital bank has a marketing strategy to cultivate customer trust. Because digital banks do not yet offer or offer the same services as traditional banks, and because many people still do not trust their services, gaining public trust currently requires time.



Figure 1. 3. Segmentation of Market Digital Bank

Source: Finantier.com

Based on picture 1.3 Digital banking is a novelty in the world of banking, so at this time competition in digital banking uses its main product. Patrick Johnson (2020) provides a definition of digital banking (a "digital bank) as a business organization that offers fully online banking activities that were previously only available at bank's branch offices. namely, minimizing contact between users and employees (face-to-face service) so that, in terms of service, digital banks have online customer service and do not require many branch offices. In all cities in Indonesia and also in terms of segmentation, digital banks have many segments. Bank Jago has the segment between Retail and Lifestyle Because Bank Jago has features and UI for easily the Gen-Z life and if compared with similar Digital Bank, Bank Jago has the feature like:

1. Kantong: Create pockets for each need, making financial arrangements easier.
2. Kirim dan Bayar: Send money and pay bills, all at your fingertips.
3. Top Up E-Wallet Easier with one touch
4. Debit Card Visa: For easily you pay in overseas
5. Connect the Jago with Go-Jek: You can easily to Top-Up of Gopay amount

Bank Jago has a strong ecosystem with GoTo Group (Gojek and Tokopedia Ecosystem) because GoTo Group acquired the stock of Bank Jago (Artos Group) and has 22,16% of Bank Jago's stock. And GoTo Group has strong applications and ecosystems like Go-Pay, GoTo Financial, and Tokopedia. People in Indonesia frequently use the Go-Jek ecosystem, because the integration of the GoTo Ecosystem in Bank Jago has resulted in the growth and increase in the number of customers in the Bank Jago, because the ecosystem in the GoTo Group greatly facilitates the Indonesian people in their daily lives.

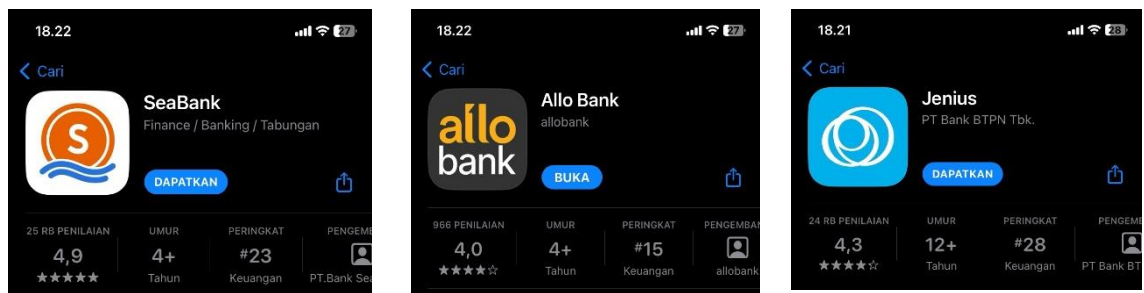


Figure 1.4. Rating of Digital Bank in AppStore

Based Picture 1.4 The rating in the application of Digital Bank is above 4 stars, which means that many users are satisfied with the service, but not a few are also dissatisfied with it, and many are dissatisfied with it in terms of bank access speed and also the many errors that occur during transactions, so it can be concluded in the photo above that many consumers of Digital Bank are dissatisfied with bank jago services in terms of mobile banking so that it is possible to reduce the quality.

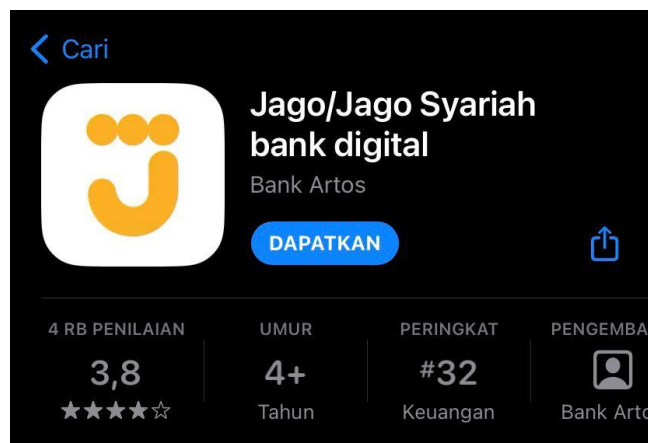


Figure 1. 5. Rating Score of Bank Jago in App Store

Based Picture 1.5, when compared to other digital banks, Bank Jago has a rating of 3.8 and has a fairly standard rating compared to other digital banks which have a rating above 4, and on average many complain about poor service with a lot of UI errors and also responses from parties Bank Jago which is very lacking because often a 1 rating is replied to only as a template so that it makes many consumers disappointed

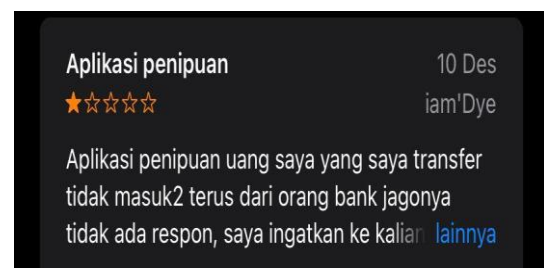
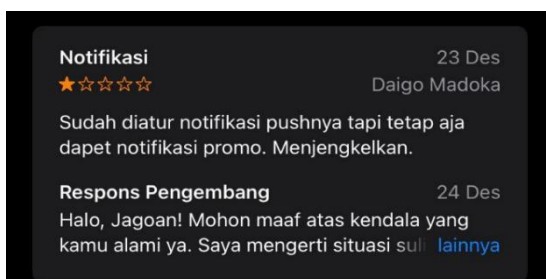


Figure 1. 3. Bad Review Bank Jago (AppStore)

Based on picture 1.7, In reviewing Bank Jago, many complained about the customer service response to customers being very unresponsive, and also about errors in digital bank applications. Customers were also confused about where to complain and the answers from digital banks, who always answered with the same answer template as Bank Jago's answer.

Based on the background of the problems above, the research title of this study is **"The Influence E-Service Quality (Efficiency, Responsiveness, Reliability, and Privacy) on Consumer Loyalty of PT Bank Jago Tbk"**

1.3 The Problem Formulation

Business competition, including in the existing banking sector, is significant at this time. With the current technological developments, banks are starting to penetrate the digital world, so the presence of digital banks is something new for today's banking. According to Brennan and Kries, digitalization is digital communication and the impact of digital media on contemporary social life.

With the development of the digital world, many banks are transforming into digital banks, including PT Bank Jago Tbk, which used to be a conventional bank named PT Bank Artos Tbk. With more and more consumers interested in Bank Jago's services, the authors would like to know the effect of E-service quality (efficiency, reliability, responsiveness, and privacy) on customer loyalty.

In the academic aspect, it is very important to research this problem because no one has researched the impact of variable service quality on customer loyalty at Bank Jago. Thus with this research, it is hoped that there will be discoveries of problems in service quality and also customer loyalty at Bank Jago. Knowing the factors that influence customer loyalty to a company or product is needed by companies in making decisions; therefore, in this study, the authors want to prove how E-service quality (efficiency, reliability, responsiveness, and privacy) affects consumer loyalty.

1.4 Research Question

Based on the research background, the research question of the research are as follows:

1. How much do the rates (Descriptive Analysis , Validity, Reliability, R Square) of E-Service Quality (Efficiency, Reliability, Responsiveness, and Privacy) on customer loyalty at PT Bank Jago Tbk based on respondent?
2. How much do the rates of Customer Loyalty of the respondent toward PT Bank Jago Tbk?
3. Is there a significant influence of E-Service Quality (Efficiency, Reliability, Responsiveness, and Privacy) towards the customer loyalty of PT Bank Jago Tbk?

1.5 Research Objective

The research objective is a direction that guides each research to find answers to the formulated research problems. The purpose of this research is to identify:

1. To analyze the E-Service Quality in the dimensions (Efficiency, Reliability, Responsiveness, Privacy) of PT Bank Jago Tbk
2. To analyze the Customer Loyalty of PT Bank Jago Tbk
3. To analyze the Influence E-Service Quality (Efficiency, Reliability, Responsiveness, Privacy) on Customer Loyalty of PT Bank Jago Tbk

1.6 Research Benefit

The benefits of the research conducted encompass two elements, namely the theoretical and practical components of the research. The benefits that might be taken in connected research with academics are known as theoretical aspects. Benefits that can be received by the community practitioner include practical elements. The next sections go through these two points in depth.

1.6.1 Theoretical Aspect

The research results are expected to provide information to the Academicians, especially Bank Jago consumers so that Consumers of Bank Jago are aware that the Quality of Service has an effect on Consumer Loyalty at Bank Jago, which can be used as a point of reference if the company wishes to enhance its quality and product service.

1.6.2 Practical Aspect

The benefits of research from the company, consumer, and community can be useful for Bank Jago companies in providing useful insights and providing results that can be used to add new insights in the field of purchasing decisions. Additionally, it is anticipated that this research will serve as a reference for future studies in comparable disciplines.

1.6.3 Systematic Writing of Mini-Thesis

This writing system is structured to facilitate the reader in understanding the contents contained in this thesis to provide a general description of the research to be conducted. Then the writing system is made as follows:

1. CHAPTER I - INTRODUCTION

This chapter contains a general description of the research object, research background, problem formulation, research objectives, research benefits, and writing systematically.

2. CHAPTER II - LITERATURE REVIEW

This chapter contains the theoretical foundation, previous studies and supporting journals that will be used as the basis for this research's basic concepts and analysis.

3. CHAPTER III - RESEARCH METHODOLOGY

This chapter emphasizes the approaches, methods, and techniques used to collect and analyze data that can answer or explain research problems, including descriptions of types of research, operational variables, stages of research, populations, samples, data collection, validity and reliability tests, and analysis techniques data.

4. CHAPTER IV - RESULTS AND DISCUSSION

This chapter will describe the general description of the research object, the results of all instrument testing, and the hypothesis testing.

5. CHAPTER V - CONCLUSION

This chapter will describe the general description of the research object, the outcomes of all instrument testing, and the testing of hypothesis testing.